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PLC  
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December 20, 1999

Mr. K. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0500

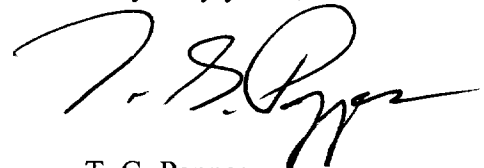
**RE: Tennessee American Water Company  
TPSC No. 19, Fifth Revision of Sheet No. 8  
Cancelling Fourth Revision of Sheet No. 8  
(Docket No. 99-00891)**

Dear Mr. Waddell:

As counsel for Tennessee American Water Company and as directed by staff letters dated December 3<sup>rd</sup> and December 9<sup>th</sup>, 1999, enclosed please find original and twelve (12) copies of information requested by the staff and responses by the Company, for filing and distribution.

With kindest regards, I remain

Very truly yours,



T. G. Pappas

TGP/br#2076344  
Enclosures

**FILE**

Page 2  
December 20, 1999

cc: Honorable Jon Kinsey, Mayor  
Mr. William F. L'Ecuyer  
Mr. Michael E. Horne  
Richard Collier, Esq.  
L. Vincent Williams, Esq.  
Frederick L. Hitchcock, Esq.  
Randall L. Nelson, Esq.  
Joe A. Conner, Esq.  
Mr. Rod Naviraukas

**BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

REC'D TN  
REGULATORY UTIL.

'99 DEC 20 PM 2 03

EXECUTIVE SECRETARY

**IN RE: TENNESSEE-AMERICAN WATER )  
COMPANY TARIFF FILING TO REDUCE )  
FIRE HYDRANT ANNUAL CHARGES AS )  
PART OF SETTLEMENT AGREEMENT )  
BETWEEN THE CITY OF CHATTANOOGA )  
AND TENNESSEE-AMERICAN WATER )  
COMPANY )**

**Docket No. 99-00891**

**RESPONSES TO DATA REQUEST**

Tennessee-American Water Company ("TAWC") responds to the Tennessee Regulatory Authority (the "TRA") Staff's First Request for Data dated December 3, 1999 by listing the data Request and then the Response to each as follows:

**REQUEST 1.** While much has been printed on the amount of savings this agreement will generate for the City, a detailed calculation of the reduction is necessary. Please provide the number of fire hydrants, a detailed calculation of the reduction in revenues (estimated to be \$1 million) to the Company, and show the incremental review reduction for each of the proposed rates over the 2-year period.

**RESPONSE:**

See "Attachment A"

**REQUEST 2.** What is the Company's anticipated plan for recouping the lost revenue? How will the lost revenue impact the other ratepayers?

**RESPONSE:**

The Company has experienced and anticipates additional growth that will potentially offset a portion of the proposed rate adjustment. The requested tariff change does not impact other ratepayers.

**FILE**

REQUEST 3. As a result of this agreement to reduce the fire hydrant rate, the benefits for the City and Company are illustrated. What benefits, if any, will the ratepayers derive?

RESPONSE:

The other ratepayers are not impacted by the requested tariff change and will continue to receive water service at the existing tariff rates. The agreement provides for improved fire service to the community.

REQUEST 4. Section 2.E. of the settlement agreement states that if, after all appeals are exhausted, the Company does not have a state granted, perpetual franchise, the City will issue a franchise “as outlined in attachment A”. Please submit a copy of the referenced attachment.

RESPONSE:

See “Attachment B”

REQUEST 5. Detail the terms of the franchise agreement the Company is currently operating under with the City? Provide a copy of the agreement.

RESPONSE:

The Company has never been required to operate under a franchise from the City of Chattanooga. As ruled by Chancellor Howell Peoples on October 11, 1999, the Company operates under a state granted franchise within the City and its environs as provided in its original charter of 1868. See “Attachment C”

REQUEST 6. If the Tennessee Regulatory Authority does not approve the reduction of fire hydrant fees, what effect, if any, would the decision have on the settlement agreement?

RESPONSE:

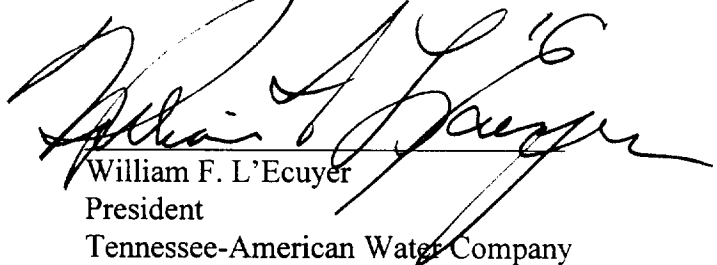
If the TRA should not approve a reduction of the fire hydrant fees, there will be no effect on the balance of the settlement agreement. The agreement specifically provides in Paragraph 2(b) as follows: "If the TRA does not approve this provision, then this section is null and void." In addition, Paragraph 3 of the agreement provides that: "if any provision or term of this agreement is found to be invalid by a court of law and/or is not approved by the TRA, the remainder of the agreement shall remain in full force and effect."

REQUEST 7: Does the Company know if the City intends to pass the savings from the fire hydrant fees through to the taxpayers, (i.e. a reduction in property taxes)?

RESPONSE:

The company is not aware of how the city intends to utilize the savings from the reduction in fire hydrant fees. Presumably the fire hydrant savings will enable the City to avoid a tax increase in the future.

Respectfully Submitted,



William F. L'Ecuier  
President  
Tennessee-American Water Company  
1101 Broad Street  
Chattanooga, Tennessee 37401

Question 1. While much has been printed on the amount of savings this agreement will generate for the City, a detailed calculation of the reduction is necessary. Please provide the number of fire hydrants, a detailed calculation of the reduction in the revenues (estimated to be \$1 million) to the Company, and show the incremental revenue reduction for each of the proposed rates over the 2-year period.

**Response**

4,491 Public Fire Hydrants

Billed monthly in arrears on last day of month

Revenues @ 12/31/99                      \$301.20 x 4491 = \$1,351,881

Rate @ 12/31/99                      \$301.20/12 = \$25.10

	<u>Lost Revenue</u>
January 2000	
\$271.20/12 = \$22.60	
4491 x \$25.10 = \$112,724	
4491 x \$22.60 = <u>\$101,497</u>	
\$ 11,227	\$11,227
February 2000	\$11,227
March 2000	\$11,227
\$241.20/12 = \$20.10	
4491 x \$25.10 = \$112,724	
4491 x \$20.10 = <u>\$ 90,269</u>	
\$ 22,455	
April 2000	\$22,455
May 2000	\$22,455
June 2000	\$22,455
July 2000	\$33,681
August 2000	\$33,681
September 2000	\$33,681
October 2000	\$44,908
November 2000	\$44,908
December 2000	<u>\$44,908</u>
 TOTAL 2000	 <u>\$336,813</u>

Tennessee-American Water CompanyResponse cont'd

January 2001	\$56,135
February 2001	\$56,135
March 2001	\$56,135
April 2001	\$67,362
May 2001	\$67,362
June 2001	\$67,362
July 2001	\$78,589
August 2001	\$78,589
September 2001	\$78,589
October 2001	\$89,816
November 2001	\$89,816
December 2001	<u>\$89,816</u>

TOTAL 2001	<u>\$875,706</u>
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Year 2002

\$50.00/12 = \$4.17

4491 x \$25.10 = \$112,724

4491 x \$ 4.17 = \$ 18,727

\$ 93,997 x 12

\$1,127,964

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE GRANTING UNTO TENNESSEE-AMERICAN WATER COMPANY A FRANCHISE FOR THE PURPOSE OF OPERATING A SYSTEM OF WATER DISTRIBUTION AND SERVICE WITHIN THE CITY OF CHATTANOOGA SO AS TO FURNISH WATER SERVICE WITHIN THE CITY TO ITS INHABITANTS FOR DOMESTIC, COMMERCIAL, INDUSTRIAL AND MUNICIPAL GENERAL USE FOR A TERM OF TWENTY-FIVE YEARS.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHATTANOOGA, TENNESSEE.

SECTION 1. That there is hereby granted unto Tennessee-American Water Company (herein referred to as the "Company") a franchise to construct, reconstruct, maintain and operate water mains, pipes, and conduits, pumps, tanks, reservoirs, hydrants, with all necessary fittings, feeders and service pipes in connection therewith, in, upon, along, and under all of the streets, alleys, avenues, bridges, and public places within the City of Chattanooga, Tennessee (herein sometimes referred to as "City"), and to carry on, operate, enlarge and continue the same in said City as the same is now or may hereafter exist, for the purposes of furnishing water service. The City expressly reserves the right to enact any and all such ordinances respecting the Company and its business as may be authorized by law, provided that any such ordinances shall not abridge the rights and privileges granted the Company hereunder.

SECTION 2. That this franchise shall inure to the benefit of the Company, its successors and assigns and shall exist and remain in effect for a period of twenty-five (25) years from and after the final appeal and adjudication of Tennessee-American Water Company v. City of Chattanooga, Hamilton County Chancery Court, Part II, Case No. 52118.

SECTION 3. That the Company shall not at any time charge in excess of such lawful rates as from time to time may be fixed by the Tennessee Regulatory Authority, or such other duly



measures and other conditions of service.

SECTION 4. That the Company in digging for, installing, reinstalling or continuing water pipes along, across, under or through any and all of the streets, lanes, alleys, sidewalks, public grounds, or public rights-of-way of the City and in digging for repair of pipes, shall take care not to obstruct or injure unnecessarily any such streets, lanes, alleys, sidewalks, public grounds or public rights-of-way; and shall with reasonable diligence restore such streets, lanes, alleys, sidewalks, public grounds, or public rights-of-way to as good a state of repair and condition as the same were before disturbed by said Company and shall in all respects fully indemnify and save harmless the City from and against all damages, costs, attorneys fees, or other expenses which the City may incur by reason of such digging unless such damages, costs, attorneys fees, or other expenses are attributable in whole or in part to the negligence of the City, its agents, servants, or employees. All such construction work performed by the Company shall be subject to the approval of the City's Department of Public Works, which approval shall not be unreasonably withheld. The obligation of indemnity set forth in this section shall also extend to any digging or installation in any street, lane, alley, sidewalk or other right-of-way of the City by any property owner pursuant to any contract between said property owner and the Company authorizing the property owner to construct a service line or other water line from any main of the Company to such property owner's property.

SECTION 5. That the Company, its successors, or assigns, by the exercise of this franchise, agrees to hold harmless the City on account of expenses, damages, costs, attorneys fees, litigation and liabilities that may result from the construction, reconstruction, maintenance, repair or operation of its water distribution system or from the digging up or doing of work in the streets, alleys, lanes, avenues or public places of the City unless such expenses, damages, costs, attorneys fees, litigation or liabilities are attributable in whole or part to the negligence of the City, its agents, servants, or employees.

SECTION 6. That the Company shall maintain all service lines to its customers up to and

reserves the right to grant a similar use of said streets, lanes, alleys, sidewalks, public rights-of-way and places to any person or corporation at any time during the period of this franchise; provided, however, City will not grant a similar right to any person or corporation for the business of conveying and selling water to others as a public utility unless said person or corporation has first obtained a certificate of convenience and necessity from the Tennessee Regulatory Authority or such other duly constituted body as may have power and authority in such matter so long as such certificate is a legal prerequisite to engage in such business.

SECTION 8. At this time, the City has elected not to impose a franchise fee; however, the City has the option of imposing an annual franchise fee at a later date. If the City elects to impose an annual franchise fee, the City and the Company shall negotiate in good faith for the purpose of mutually agreeing on the amount of the fee; however, in no event shall the fee exceed the percentage or amount charged other utilities operating in Chattanooga.

SECTION 9. Any franchise fee which may subsequently be imposed by the City must first be approved by the Tennessee Regulatory Authority. In the event the Tennessee Regulatory Authority should for any reason refuse to approve the proposed franchise fee, then the City shall have the right to request a change in the fee. In such event, the City and the Company shall negotiate in good faith for the purpose of mutually agreeing to a new franchise fee. Any such new franchise fee must be approved by the Tennessee Regulatory Authority.

SECTION 10. That this Ordinance shall not be operative, as distinguished from its effectiveness, until it has been accepted by the Company within thirty (30) days of the effective date of this Ordinance.

SECTION 11. This Ordinance shall take effect two weeks from and after its passage upon three separate readings as required by law.

ACCEPTANCE

The within Franchise and its terms and conditions are hereby accepted by Tennessee-American Water

Company on this the \_\_\_\_\_ day of \_\_\_\_\_, 1999.

TENNESSEE-AMERICAN WATER COMPANY

By \_\_\_\_\_

Attested:

\_\_\_\_\_

*Lookout Water Co, also  
incorporated same year  
with identical powers -*  
36 CHARTER

*City Water Co relies on it for  
franchise*

## CHAPTER V.

## Chattanooga Water Company.

## SECTION

19. Preamble.
20. Name and incorporation.
21. Capital stock.
22. First election of officers; appointments; proviso.
23. By laws, etc.
24. Purposes and powers.
25. May enter on private property; notice, etc., to owners.
26. May dig and lay pipes in streets.
27. May furnish and regulate use of water.
28. Secretary and Treasurer; Report of; Books of;

## SECTION

29. Contracts.
30. Using water without permission.
31. Injuring machinery, or connecting water.
32. City Council may take stock and may issue bonds therefor; to have right to vote as individuals.
33. Company may borrow money, and issue bonds.
34. Liability of Stockholders.
35. Legislature reserves right to repeal, &c.

\* \* \* \* \*

SECTION 19. *Be it further enacted*, That Thomas J. Carlile, Robert R. Byard, R. E. McEwen, their associates and successors, be, and they are hereby, incorporated a body corporate and politic, under the name and style of the "Chattanooga Water Company;" and by that name and style shall have succession for ninety-nine years; and in that name sue and be sued, plead and be impleaded in all courts of law and equity in this State; purchase, hold and convey personal property and real estate; have and use a common seal, and the same to alter or change at pleasure, and all other powers necessary to enable them to carry out the objects of said corporation.

Sec. 20. *Be it further enacted*, That the stock of said company shall be fifty thousand dollars, divided into shares of fifty dollars each.

Sec. 21. *Be it further enacted*, That as soon as twenty thousand dollars of the stock shall be subscribed the above-

*applied*  
3/10/67

#1

named corporators shall give at least ten days' notice in a newspaper, published in the city of Chattanooga, of the time and place for the subscribers to meet and hold an election for officers of said company. The stockholders shall select by ballot from among such of their number as may be residents of the city of Chattanooga, five Directors, to conduct the affairs of said company until the first Monday in May next ensuing; and in all elections each stockholder shall be entitled to one vote for each share held by him; and the Directors shall appoint one of their number President of the Board, who shall sign all contracts, certificates of stock, and who, together with the Secretary, shall affix the corporate seal whenever it may be necessary to do so. Said President and Directors shall appoint a Secretary, who may also act as Treasurer of the company; and may have power to appoint such other officers and agents as may be necessary to carry out the objects of this corporation, and may be authorized to require of such officers or agents bonds and security for the faithful performance of their duties; and the election for Directors thereafter shall be held annually, on the first Monday in May in each and every year, at such place, within the city of Chattanooga, as may be appointed by the President and Directors, of which at least — days' notice shall be given, in one or more newspapers, published in the city of Chattanooga; and when, by death, resignation or otherwise, vacancies shall occur among the President and Directors, the Directors shall supply them from among the stockholders, residing in the city of Chattanooga, until the next annual election; *provided*, that no misnomer or failure of election of officers on the day appointed, shall discontinue or dissolve said corporation, but the directors and officers shall continue in office until a new election, which shall be made at such time and place, within said city of Chattanooga, and after such notice, as the President and Directors may prescribe.

SEC. 22. *Be it further enacted*, That the President and Directors, or any four of them, shall have the power to adopt such by-laws, rules and regulations, for the management of the affairs of the company as may be necessary and proper, as shall not be in conflict with the laws and Constitution of this State, or of the United States; *provided*, that at any meeting of the stockholders, the stockholders have the power, by resolution, to repeal, alter or amend, any rule, by-law, or regulation adopted by said President and Direct-

ors; *provided further*, that the President and Directors shall have power to call special meetings of the stockholders whenever, and on such notice as they deem necessary.

SEC. 23. *Be it further enacted*, That the President and Directors shall have power, and are hereby authorized, to bring into the city of Chattanooga a sufficient supply of water from the Tennessee river, or elsewhere in the county of Hamilton, by means of pipes or tanks, or in any other way; and to construct reservoirs for the reception thereof; and to connect the reservoirs with the pipes now laid in Chattanooga, and by such other pipes as they may deem proper for the purposes aforesaid.

SEC. 24. *Be it further enacted*, That said President and Directors shall have the right to enter on and into any lands or enclosures with their engineers, artists, assistants and workmen, to lay out and locate the dams, tanks and reservoirs, and the route for said pipes or tanks; and after the same shall have been laid out and located to the satisfaction of the said President and Directors, they shall give notice to the owners of said lands (if they are known or can be found) on which the same has been laid out and located; and of the desire of the company to occupy and use the land and route so marked and laid out; and in case of any disagreement between said President and Directors and the owners of said land, or in case the owners are unknown, the same may be appropriated for the use of said company as now provided by law for the condemnation of private land for public improvement.

✓ *Transferred*  
SEC. 25. *Be it further enacted*, That the said company shall have the liberty and privilege to dig ditches or trenches, and to lay pipes or tanks in and along all public roads, highways and streets, and across any sidewalk of the city of Chattanooga, necessary for the purposes of said company; and to alter, repair and renew said pipes, tanks, ditches or trenches as often as they may find necessary, closing and repairing said trenches they make as soon as possible.

✓ SEC. 26. *Be it further enacted*, That said President and Directors are hereby authorized to supply with water the inhabitants of the city of Chattanooga, and the suburbs thereof, and all who may be along the line of the company's pipes; and of erecting hydrants or fire plugs within said city of Chattanooga, and of contracting with the said inhabitants, with the City Council, or any incorporated corpo-

nies, for the use of said water, within the limits aforesaid; and consumers shall be subject to all such rules and regulations respecting the use and waste of said water as the said President and Directors may, from time to time, prescribe.

*Sac. 27. Be it further enacted,* That the Secretary and Treasurer shall report to the President and Directors, or meeting of the stockholders, showing the financial condition of said company, from time to time, and at such times as the President and Directors shall appoint. He shall collect all moneys due the company, and pay out the same by the order of the President and Directors. The books of the company shall be open to the inspection of stockholders at any time; and an exhibit of the financial condition of the company shall be made once in each year, or oftener, and in such manner as the President and Directors, or the stockholders, may direct.

*Sac. 28. Be it further enacted,* That the President and Directors may make such contract with the owners of real estate, for the furnishing of water, as may be agreed on [by] the parties, and the same may be reduced to writing; and the said real estate shall be liable for the use of the same, reserving to said President and Directors the right to contract with lessees or tenants alone, if they see fit so to do.

*Sac. 29. Be it further enacted,* That any person or persons who shall take or use any of said water for domestic or other purposes, without having previously contracted for the same with the said President and Directors, shall forfeit and pay to said company the sum of fifty dollars, to be recovered before any Justice of the Peace, in the same manner as other debts are now collected by law; *provided,* that nothing herein contained shall be construed to compel the inhabitants of said city of Chattanooga to use the water so introduced by said company, or to prevent them from using water obtained in any other way.

*Sac. 30. Be it further enacted,* That any person or persons who shall wilfully destroy or injure, in any manner, the pipes, aqueducts, tanks, dams, cisterns, reservoirs, hydrants, buildings or machinery of said company, erected in pursuance of this Act, or now erected, or shall wilfully corrupt, or permit any thing to run into, or fall into, any stream or reservoir from which the said company shall take water to be introduced into the city of Chattanooga, which shall

corrupt the same, or to render it unpalatable, unwholesome, or unfit for domestic or manufacturing use, or for the supplying of stationary or locomotive engines, or shall bathe in any dam or reservoir of said company, or throw, lead or enter any animal into the same, on being convicted thereof, before any Justice of the Peace of the County of Hamilton, shall pay a fine of not less than ten nor more than fifty dollars, one-half to the use of said company and one-half to the use of the informer; and shall, moreover, remain liable to said company for all damages.

SEC. 31. *Be it further enacted*, That the City Council of Chattanooga be, and it is hereby, authorized to subscribe, on behalf of said city, and any other incorporated company having occasion to use the water that may be supplied by the Chattanooga Water Company, are hereby authorized to subscribe to the capital stock of said company any number of shares each of them, respectively, may deem proper; in which event, said city and incorporated companies shall have the right to vote at the elections of said company, under the same provisions as individual subscribers or stockholders; and are hereby authorized to issue their bonds, payable at such time as they may deem proper, to such an amount as will produce enough of money to pay for the shares of stock they may each subscribe for, respectively; *provided*, that no bond or certificate shall be issued of less denomination than one hundred dollars.

SEC. 32. *Be it further enacted*, That said company is hereby authorized and empowered to borrow any sum or sums of money, not exceeding twenty-five thousand dollars, for the purpose of extending their works, or liquidating or funding any debts already contracted in extending the same; and to secure the amount so borrowed, may make and execute a mortgage or mortgages, pledge or pledges, of the property and effects of said company, or give such other evidences of debt as may be agreed on; or may issue the bonds of the company to that amount; *provided*, that no bond, certificate, or other evidence of indebtedness, shall be issued by said company for less than one hundred dollars.

SEC. 33. *Be it further enacted*, That the stockholders of said company shall be liable to the creditors of said company for the amount due by them for stock subscribed and not paid, and no further; and that wages due to the employes of said company, to the extent of one hundred dollars each; shall be a lien on all the property of said com-



pany to that amount, superior to all other liens; and that the stockholders shall be personally and individually liable for all wages due to employees.

SEC. 34. *Be it further enacted*, That the Legislature reserves the right to alter, amend or repeal the charter granted by this Act; and that this Act take effect from and after its passage. [Acts of 1867-8, ch. 91, p. 195.]

Passed March 11, 1868.

## CHAPTER VI.

### Chattanooga and Lookout Railroad Company.

The Chattanooga and Lookout Railroad Company,  
*as before.*

*Be it remembered*, That this cause came on to be heard and determined this 2nd May, 1872, before the Hon. D. M. Key, Chancellor, upon the petition of John L. Divine, W. P. Rathbun, S. B. Lowe, R. M. Hook, A. M. Johnson, P. D. Sims, J. T. Wilder, J. P. McMillen, Thomas Webster, Joseph Ruohs, J. W. James, E. M. Wight, T. Fort, J. B. Weaver and Geo. H. Hazelhurst, to be incorporated by the name and style of the Chattanooga & Lookout Railroad Company, and the answer of A. A. Pearson to said petition. And it appearing to the satisfaction of the Chancellor that publication has been made in this cause as required by law and that the objects of the corporation prayed for are not